

FEDERAL RESERVE BANK OF DALLAS • NOVEMBER 22, 2016

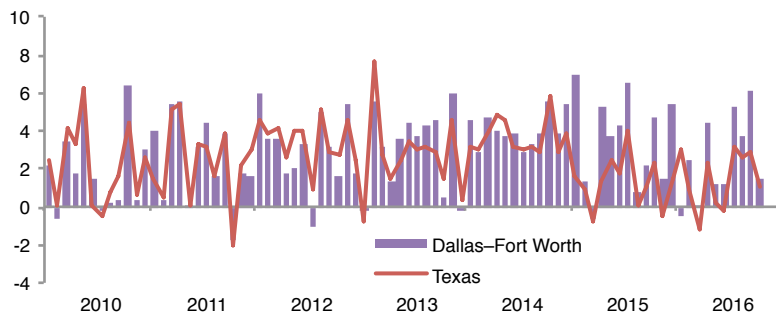
Summary

The Dallas–Fort Worth economy expanded in October. Employment grew during the month, continuing to outperform job growth in the state as a whole, and unemployment fell. Leasing activity in the DFW office and industrial markets strengthened in the third quarter, and construction stayed elevated.

Employment

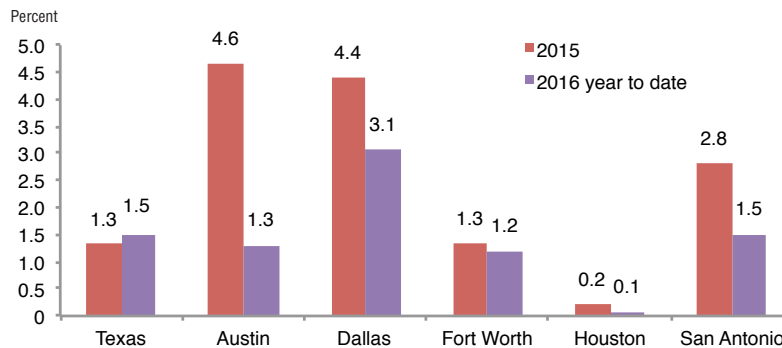
Employment Growth

Month/month percent change, annualized



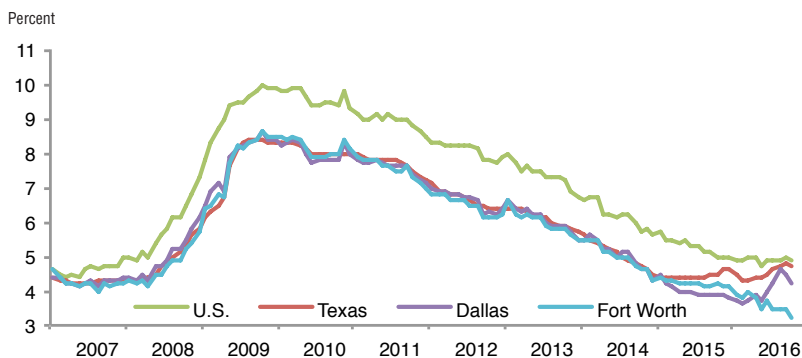
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

Major Texas Metros' Employment Growth



SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

Unemployment



SOURCES: Census Bureau; seasonal adjustments by the Dallas Fed.

► DFW employment expanded at a modest pace of 1.5 percent in October on an annualized basis. October job growth was moderate in Dallas at 2.3 percent, but it contracted in Fort Worth by 0.5 percent. DFW outperformed Texas and the U.S. in job growth for the fourth consecutive month.

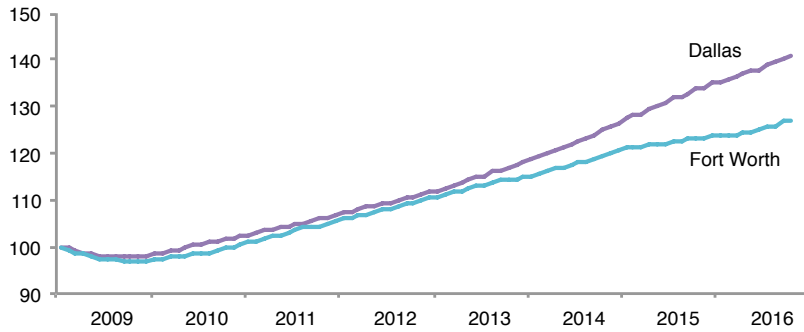
► DFW job growth has been broad based year to date, with only the manufacturing sector shedding jobs. Construction and mining has posted the fastest growth through October at a 4.8 percent annual rate, likely due to the ongoing construction boom in the metroplex. The education and health services and professional and business services sectors have also seen solid job growth of over 3 percent.

► Year-to-date employment growth in Dallas at an annualized 3.1 percent is slower than last year's pace of 4.4 percent. Still, it's faster than that of all other major Texas metros and twice as fast as the state's 1.5 percent pace. Continued healthy growth in the U.S. economy has been a tailwind for Dallas because its industry mix more closely mirrors that of the nation. Meanwhile, payrolls in Fort Worth have grown more modestly, at 1.2 percent so far this year and 1.3 percent in 2015, likely due to the metro's higher dependence on the manufacturing and energy sectors relative to Dallas.

► In October, the unemployment rate dipped to 4.2 percent in Dallas, 3.2 percent in Fort Worth and 4.7 percent in Texas. All three figures remain lower than the U.S. rate, which edged down to 4.9 percent. The unemployment rate is at multiyear lows in Fort Worth, but it has increased 0.3 percentage points from October 2015 levels in Dallas.

Business-Cycle Indexes

Index, January 2009 = 100*

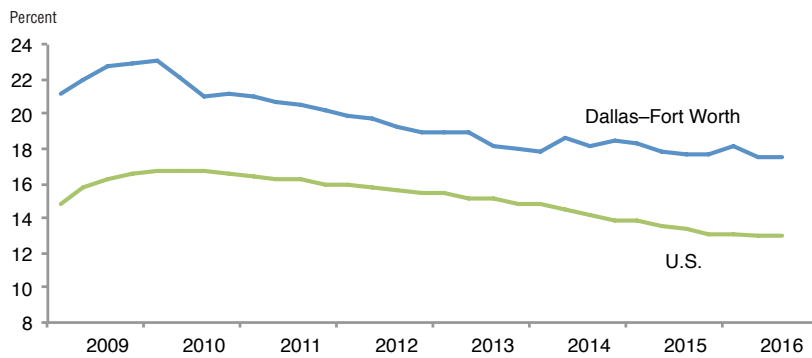


*Monthly, seasonally adjusted.

SOURCE: Dallas Fed.

► Overall economic growth was solid in Dallas in October but slowed in Fort Worth, according to the Dallas Fed's metro business-cycle indexes. The Dallas index climbed an annualized 5.2 percent, slower than the previous month's 7.0 percent pace. The Fort Worth index rose 2.3 percent after posting a 7.7 percent increase in September. Year over year, the Dallas index was up 5.3 percent, while the Fort Worth index was 2.9 percent higher as a result of continued healthy job creation.

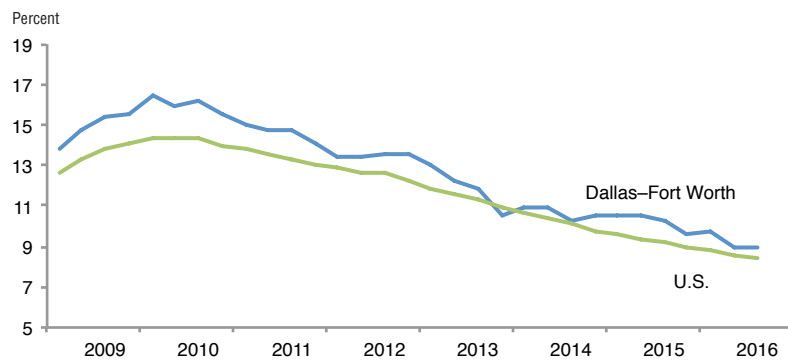
Office Vacancy Rates



SOURCE: CBRE Research.

► The DFW office market continues to see strong leasing activity, thanks to solid job gains. DFW experienced 1.7 million square feet of positive net absorption in the third quarter, bringing the year-to-date total to 4.5 million, according to CBRE Research. Vacancy rates remain below their 10-year average even with strong construction activity, holding steady at 17.5 percent in the third quarter. The metroplex has 8 million square feet of office space under construction—mostly in the Far North Dallas, Uptown and Las Colinas submarkets, where vacancy rates are lower than the DFW average at 12.5 percent, 13.1 percent and 14.4 percent, respectively. Most of the projects are speculative developments.

Industrial Availability Rates



SOURCE: CBRE Research.

► DFW industrial demand was robust in the third quarter, and quarterly net absorption of 8.9 million square feet was the most in 10 years, according to CBRE Research. Asking rents rose, and the industrial availability rate dipped to 8.9 percent, indicating a tight market. The DFW area is a major U.S. trade and distribution center, thanks to its central location and the presence of several road, rail and air cargo routes. Employment in the trade, transportation and utilities sector makes up just over a fifth of the area's total employment. About 19.2 million square feet of space was under construction across the metroplex in the third quarter, down slightly from the second quarter.

NOTE: Data may not match previously published numbers due to revisions.

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